

Message Text

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TAGS: BPRO YO

SUBJ: EXIMBANK GURANTEE FOR SALE OF BRED DAIRY HEIFERS TO
KOPPODUKT

REF: A: STATE 247143 B: BELGRADE 5840

SUMMARY: "GREEN PLAN" AIMING AT YUGOSLAV SELF SUFFICIENCY IN
DAIRY PRODUCTS OPENS PROSPECTS FOR MAJOR SALES OF U.S. DAIRY ANIMALS.
SGRONG COMPETITION FORESEEN FROM OTHER DAIRY NATIONS IN THIS AND
FUTURE TRANSACTIONS. ACTION REQUESTED: APPROVAL OF EXIMBANK GURANTEE
TO MAINTAIN U.S. POSITION IN THIS LUCRATIVE MARKET. END SUMMARY.

1. EMBASSY HAS OBTAINED ADDITIONAL INFORMATION CONCERNING PROPOSED
TRANSACTION CITED IN REFTELS. THE SALE IS CONSISTENT WITH YUGOSLAV
GOVERNMENT OBJECTIVES TO ACHIEVE SELF-SUFFICIENCY AND IMPROVE
BALANCE OF PAYMENTS POSITION IN AGRICULTURE.

2. YUGOSLAV GOVERNMENT AND ITS GREEN PLANSTRONGLY COMMITTED TO
IMPROVEMENT OF AGRICULTURE LEADING TO SELF-SUFFICIENCY. RECENT
VISIT BY IBRD MISSION, WHICH DISCUSSED PRELIMINARY COMMITMENT
OF DOL 66.5 MILLION IN CREDITS FOR IMPROVEMENTS IN BOTH THE
SOCIAL AND PRIVATE SECTORS OF AGRICULTURE, TENDS TO SUPPORT
THE YUGOSLAV PLAN. ABOUT 45 PCTOF PROPOSED IBRD CREDITS SLATED
FOR LIVESTOCK FACILITIES AND HERDS, INCLUDING DAIRY CATTLE. OF
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REMIAINING 55 PCT, A PORTION IS DESIGNATED FOR CONSTRUCTION OF

COLLECTION STATIONS FOR MILK.

3. YUGOSLAVIA'S CURRENT, TEMPORARY BALANCE OF PAYMENT DIFFICULTIES PROVIDE ADDITIONAL PRIORITY FOR GREEN PLAN GOAL OF SELF-SUFFICIENCY AS A MEANS TO REDUCE THE DEFICIT AND EVENTUALLY GENERATE EXPORT EARNINGS. DESPITE LOW PER-CAPITA CONSUMPTION OF MILK AND MILK PRODUCTS, YUGOSLAVIA HAD NET IMPORTS OF THESE PRODUCTS TOTALING NEARLY DOLS 6 MILLION IN 1973. THE YUGOSLAV GOVT FEELS THAT ITS DOLS 1.4 BILLION FOREIGN CURRENCY RESERVE IS QUITE STRONG ENOUGH TO PERMIT CONTINUED SUPPORT OF AGRICULTURAL DEVELOPMENT.

4. GREEN PLAN OPENS UP PROSPECTS FOR MAJOR SALES OF IMPROVED DAIRY ANIMALS AND SEMEN. FOR EXAMPLE, DURING RECENT VISIT BY AGATT, ZAGREB DAIRY DISCUSSED ITS DEVELOPMENT PROGRAM WHICH INCLUDES PURCHASE OF UP TO 5000 DAIRY ANIMALS. U.S. SUPPLIERS ARE FACING STRONG COMPETITION FROM OTHER DAIRY ANIMAL SUPPLIERS SUCH AS ISRAEL, SWITZERLAND, THE NETHERLANDS, WEST GERMANY AND CANADA. IN SUBJECT TRANSACTION, KOPRODUKT UNDER GREAT PRESSURE TO SUPPLY THE DAIRY ANIMALS. KOPRODUKT REP STATED CANADIAN SUPPLIER WITH WHOM THEY HAVE HAD EXTENSIVE CONTACTS READY TO DELIVER ANIMALS IF PROBLEMS ARISE IN DELIVERY BY U.S. SUPPLIERS.

5. EMBASSY CONCERNED THAT U.S. MAINTAIN ITS POSITION AS MAJOR SUPPLIER OF IMPROVED LIVESTOCK. OVER PAST 3 YEARS U.S. HAS SHIPPED ABOUT 2000 BRED DAIRY HEIFERS TO YUGOSLAVIA. YUGOSLAV DEVELOPMENT PLANS DICTATE PURCHASE OF IMPROVED LIVESTOCK, LEAVING ONLY THE QUESTION OF WHO WILL SUPPLY THEM. ADDITIONALLY AGATT HAS RECENTLY HAD INQUIRIES ABOUT IMPROVED BEEF ANIMALS. THIS OFFERS NEW PROSPECTS FOR AMERICAN AGRICULTURE IN A COMPETITIVE SITUATION WHICH REQUIRES EXIMBANK SUPPORT.

6. ACTION REQUESTED: IMMEDIATE APPROVAL OF EXIMBANK GUARANTEE FOR SUBJECT TRANSACTION.
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